

## ***The Army's Residential Communities Initiative (RCI) Program Gains Momentum***

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As you are aware, the Department of Defense (DoD) / Army goal is to eliminate all inadequate family housing in the United States by 2007 using a combination of: (1) traditional Military Construction (MILCON), (2) Basic Allowance for Housing (BAH) increases, and (3) Privatization. In 1996, the Military Housing Privatization Initiative Act (MHPI) provided the Military Services with the authorities to leverage scarce funds and assets to obtain private sector capital and expertise to operate, manage, maintain, improve and build military housing in the United States.

The Army's housing privatization program, known as the Residential Communities Initiative (RCI), is an essential element for solving The Army's acute family housing problem. The RCI program is dedicated to building quality residential communities for soldiers and their families. The RCI program is built on partnerships with private sector developers who can leverage private sector capital for the 50-year term of the project. Their expertise, experience, innovation and willingness to work collaboratively with key stakeholders are essential elements of the program's success. To date the RCI program has had tremendous success in attracting this type of development partner.



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*Assistant Secretary of the Army (Installations and Environment)*

### **WHAT IS RCI?**

- **Program to privatize military housing functions**
- **Program includes:**
  - Request for Qualifications (RFQ) solicitation process
  - Process that takes a project from concept through transfer of assets / functions and long-term monitoring
  - Series of installation-wide family housing projects
- **Projects include:**
  - Out lease of land
  - Title transfer of improvements
  - Operation, management, repair, and construction (replacement and renovation)
  - Collection of rents equivalent to BAH
  - Partnerships with developers (Limited Liability Corporations / Partnerships)

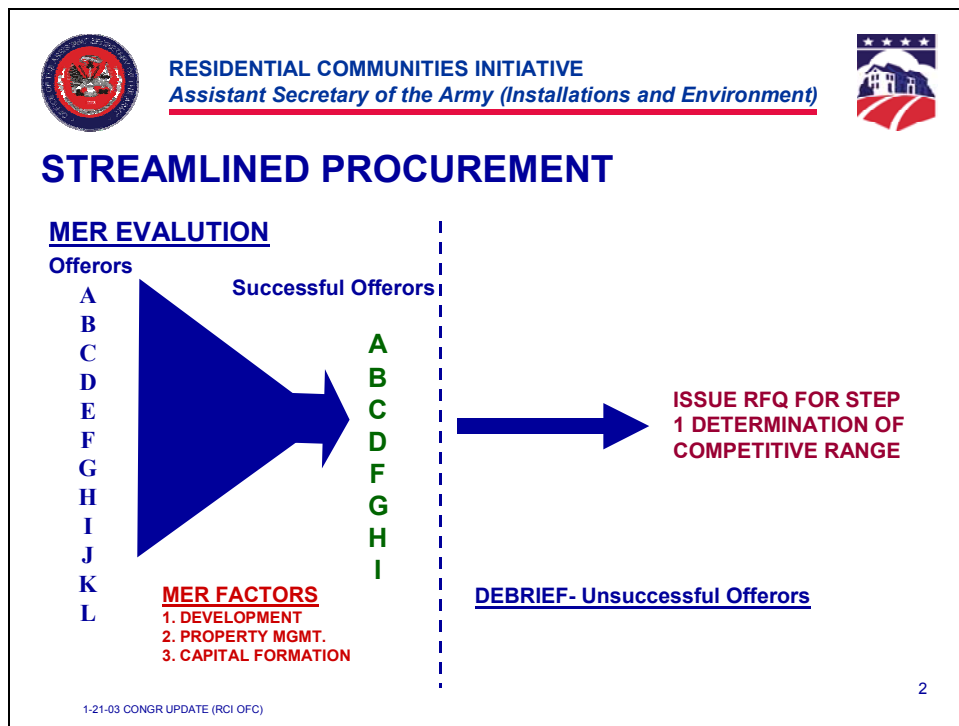
1-21-03 CONGR UPDATE (RCI OFC)

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The RCI program focuses on the total residential community (not just houses) and uses a Request For Qualifications (RFQ) acquisition process. The RFQ process attracts nationally recognized developers who bring best practices / innovations to our

privatization projects. This best value process reduces time and costs for both Army and private sector developers. The RFQ process seeks to evaluate and award on the basis that the firm selected is the most highly qualified (based on applied criteria) to engage in discussions with the Army to create a mutually agreed upon business plan to meet the Army's requirements.

The majority of the RCI sites utilize / will utilize a streamlined RFQ process that will save money and expedite the process by advertising three Minimum Experience Requirements (MER) for an initial selection of qualified offerors, and then announcing multiple sites with a 2 Step RFQ.

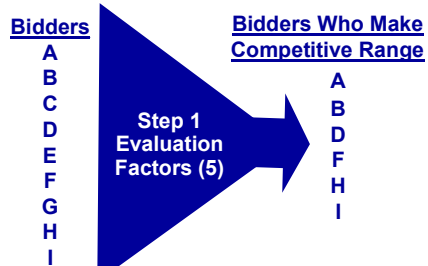


Step 1, of the two-step RFQ process, determines the competitive range for a group of projects using five evaluation factors. Step 2 then allows those in the competitive range to propose for any or all of the projects listed in Step 1 as they are individually solicited (not grouped). Step 2 uses 4 evaluation factors.



## RCI PROCESS -- 2-STEP RFQ PROCUREMENT

### Step 1: Establish Competitive Range for a Group that has Multiple Projects

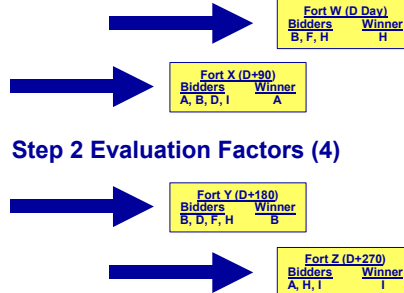


#### STEP 1 -- 5 FACTORS

- 1 -- Experience
- 2 -- Financial Capability
- 3 -- Organizational Capability (Corporate)
- 4 -- Past Performance
- 5 -- Small Business (Past Use)

2 / 03 RCI OVERVIEW (RCI OFC)

### Step 2: Select Partners (from Range) Who Bid on Group Projects (4-Project Group Example)



#### Step 2 Evaluation Factors (4)

#### STEP 2 -- 4 FACTORS

- 1 -- Preliminary Concept
- 2 -- Organizational Capability (Installation)
- 3 -- Financial Return
- 4 -- Small Business (Proposed Use)

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The Community Development and Management Plan (CDMP) begins when the two-step procurement process is complete. The Army awards a contract to the selected development partner to work with the specified installation to prepare a CDMP. The CDMP serves as the business plan for the specific RCI project, and it sets forth the proposed terms of the developer's long-term relationship with The Army. The CDMP consists of three main components: (1) Development Plan, (2) Financial Plan and Transactional Instruments, and (3) Operations, Maintenance, and Property Management Plan. The CDMP development takes about seven months. During the first six, the selected developer works closely with Army to craft the CDMP. The Army staffs the CDMP, and then submits it to Congress for review. If Congress does not object to the project, The Army issues a Notice to Transition and the developer is paid a fixed sum for the CDMP. In return for this payment, The Army is granted full and unlimited rights to use the CDMP. Approximately three months later, housing assets / operations are turned over to a partnership, which is typically a limited partnership or limited liability company that includes The Army and development partner as limited partners / members.

The RCI program promotes and emphasizes the use of local businesses, large, small and/or disadvantaged. RCI projects are comprehensive and historically have resulted in substantial benefits for many local businesses, including those that qualify for consideration as small, disadvantaged, minority, or woman owned. The Army is committed to ensuring small businesses are included in RCI projects. An offeror's Small Business Utilization Plan is an evaluation factor in the solicitation, and the process requires them to submit detailed information on past, present and future small business utilization -- including plans. Offerors must articulate their firm's approach to ensuring that small businesses will have maximum subcontracting opportunities. They

must also provide plans for how much of the overall cost of the RCI project will be subcontracted to small businesses. RCI solicitations require offerors to outline plans and schedules for conducting small business outreach events to inform local business of the RCI project and associated opportunities. Each of the partners at the four initial RCI sites has conducted conferences for local (large and small) businesses to educate and encourage companies to participate in the housing privatization program. The Army continues to work with local communities to improve small business outreach efforts and has established reporting requirements that require partners to provide specific statistics.

This chart shows the status of The Army's Residential Communities Initiative (RCI) program. Pending OSD and Congressional concurrence, 28 projects are planned for transfer of operations. By FY 2006, about 82% (71,790) of The Army's owned inventory in the U.S. will be privatized.

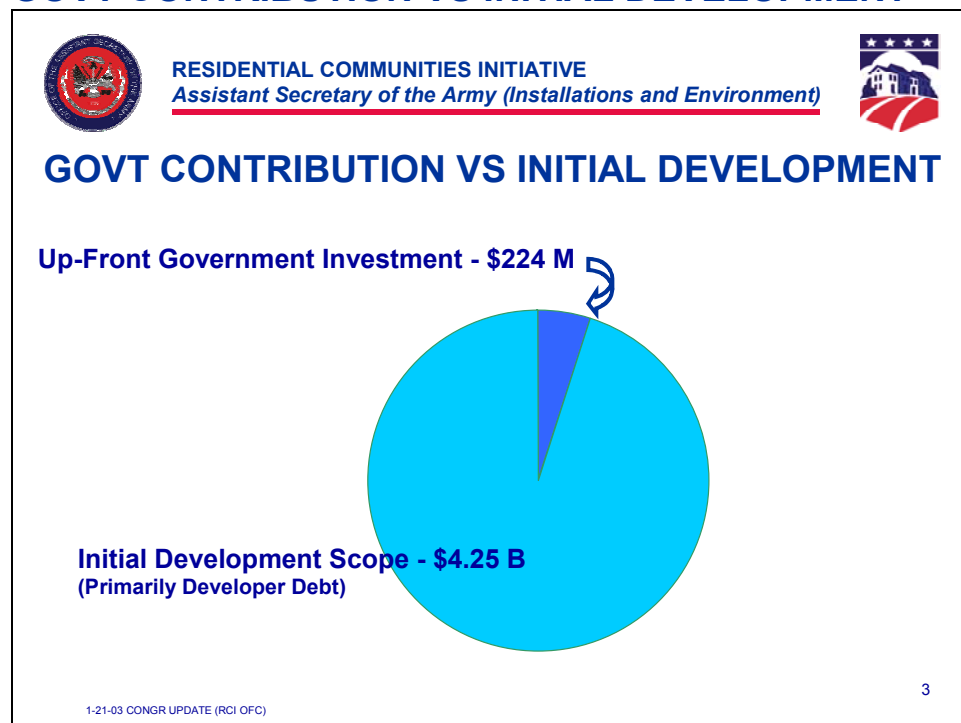


Partners Selected include:

- Fort Carson, CO—J.A. Jones
- Fort Hood, TX—Actus Lend Lease
- Fort Lewis, WA—EQR Residential
- Fort Meade, MD—Picerne Real Estate Group
- Fort Bragg, NC—Picerne Real Estate Group
- Fort Campbell, KY—Actus Lend Lease
- Fort Stewart/Hunter Army Air Field, GA—GMH Military Housing, LLC
- Presidio of Monterey, CA—Clark Pinnacle Family Communities, LLC
- Fort Irwin/Moffett Fed Airfield/Camp Parks, CA—Clark Pinnacle Family Communities, LLC
- Fort Hamilton, NY—Hudson Fort Hamilton, LLC
- Fort Belvoir, VA—Clark Pinnacle Family Communities, LLC

- Fort Eustis/Story/Monroe, VA— J.A. Jones Community Development Co. January 2003

## GOVT CONTRIBUTION VS INITIAL DEVELOPMENT



The Army will invest approximately \$224 million from AFHC in the first 12 projects, and the developers will provide over \$4 billion in private capital during the initial development period (4-10 years). Private capital consists of developer equity and debt underwritten by the BAH income stream, (debt being the main source of financing). We have been very successful in leveraging appropriated funds and housing assets to obtain private capital for new construction and renovation. Other installations are being identified and programmed for housing privatization in FY 2005 – out.

Like any successful program, the RCI Program does have a few challenges that need to be worked very early on and often throughout the process. Some of these challenges include Requirements Determination, Communication with all key stakeholders - bring them into the process early, Schools, Standards amongst RCI Projects, Proposed Construction Footprints - identifying appropriate footprints at the beginning of the process and sticking to that footprint, Resident Utilities, Utilities Privatization, Environmental issues - surface early - Chlordane, Toxic Mold, etc, and lastly, Historic Properties -- its is absolutely crucial RCI PMs work with the State Historic Preservation Office early in the planning stages. The key to addressing and resolving these and all other challenges is early coordination and teamwork.

Portfolio and Asset Management (PAM) functions will ensure that The Army's RCI Program investments; assets and portfolio are fully protected against any current and potential crises and/or shortfalls over the next 50+ years.



## RCI PROCESS PORTFOLIO / ASSET MANAGEMENT (PAM)

- Program designed to:
  - Monitor health of RCI Portfolio
  - Take corrective action as required
  - Report to stakeholders on program and projects for next 50+ years
- Comprised of:
  - Asset Management -- Day to day oversight / protection of housing assets / operations of a specific project -- at Installation Level
  - Portfolio Management -- Oversight / protection of housing assets and operations across entire portfolio of RCI assets -- at HQ Level
- Managed and executed by RCI Program Office Govt employees

RCI performance will be measured based on: (1) the soldier's satisfaction with housing, (2) the continuous enhancement / preservation of housing over the life of the project, (3) the mitigation of risk to the project, and (4) successful completion of housing development scope of work. To measure performance, RCI PAM will be established at two levels. The first, Portfolio Management (PM), includes the information required by Headquarters with the objective of assessing and assuring the overall success of RCI. Information collected and analyzed at Headquarters will also be provided back to the installation to enhance success of individual projects. The second level, Asset Management (AM) will focus on information prepared / used by the installation to assess the success of its project. Army's approach to PAM will meet the specific needs of each Army housing privatization project and also provide key lessons learned to enhance and improve the policies/procedures at existing projects as well as drive a "best practice" approach for future projects.

Bottom line. The RCI program provides quality, sustainable residential communities for our soldiers and their families. Feedback on the RCI program has been very positive and there is considerable enthusiasm from The Army's senior leadership and soldiers and their families. The RCI program is giving us the opportunity to provide better homes and communities to Army families much sooner than traditional methods. For additional program information, visit The Army's RCI website at [rci.army.mil](http://rci.army.mil).



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## **OUR MILITARY PROTECTING THE AMERICAN DREAM**

**RCI ALLOWS THE MILITARY FAMILY TO LIVE THAT DREAM**



**Visit Our Web Site at <http://rci.army.mil>**

9-30-02 GENERIC (RCI OFC)

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